

Message Text

CONFIDENTIAL

PAGE 01 LUANDA 00254 070832Z

15

ACTION XMB-04

INFO OCT-01 AF-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 OPIC-03 SP-02 CIEP-01

OMB-01 /040 W

----- 063786

R 061530Z MAR 75

FM AMCONSUL LUANDA

TO SECSTATE WASHDC 3310

C O N F I D E N T I A L LUANDA 0254

E.O. 11652: GDS

TAGS: BPRO AO

SUBJECT: FCIA CREDIT INSURANCE, META, S.A.R.L., LUANDA

REF: STATE 041276

1. BEGIN SUMMARY. THE POST FEELS THERE EXISTS A SUBSTANTIAL POSSIBILITY THAT FUTURE POLITICAL AND ECONOMIC EVENTS HERE WILL PREVENT THE BUYER (META) AND GUARANTORS (CASA AMERICANA, MOTORES DE ANGOLA, BANCO DE ANGOLA) FROM FULFILLING THEIR OBLIGATIONS. THE POST SUGGESTS THAT THE FIAT-ALLIS-META APPLICATION BE ACCEPTED BUT A DECISION DELAYED UNTIL THE GOVERNMENT PROMULGATES A NEW INVESTMENT CODE AND BUSINESS GUIDELINES, PERHAPS LATER IN MARCH. END SUMMARY.

2. THERE ARE A NUMBER OF PROBLEMS WITH THE PROPOSED SALE. THE FIRST IS META HAS TOLD US THEY PLAN TO SHIFT THEIR PREVIOUS PATTERN OF FIAT-ALLIS BUYING AWAY FROM HEAVY CONSTRUCTION EQUIPMENT TOWARD AGRICULTURAL MACHINERY, A DECISION THAT APPEARS TO BE AN ILL-CONSIDERED SALES STRATEGY AT PRESENT. WHILE THE FUTURE PROFITABILITY OF CONSTRUCTION CONTRACTORS AND THEIR SUPPLIERS IS FAR FROM CLEAR, IT IS WIDELY ASSUMED THAT THE TRANSITIONAL AND POST-INDEPENDENCE GOVERNMENTS WILL EMPHASIZE PUBLIC WORKS AND THEREBY GENERATE HEAVY EQUIPMENT SALES. BY CONTRAST THE OUTLOOK FOR AGRICULTURAL EQUIPMENT SALES IS CONSIDERABLY MORE UNCERTAIN SINCE MECHANIZED FARMS VIRTUALLY ARE ALL WHITE-OWNED. AGRICULTURAL EQUIPMENT SALES ARE RELIABLY

CONFIDENTIAL

PAGE 02 LUANDA 00254 070832Z

REPORTED TO HAVE DROPPED 60 PERCENT IN THE LAST FEW MONTHS.

SECONDLY, LIKE THE REST OF THE PRIVATE SECTOR META AND ITS GUARANTORS ARE BEING AFFECTED BY ANGOLA'S RECESSION.

3. IN ADDITION TO ANGOLA'S PRESENT ECONOMIC SLIDE, UNCERTAINTY ON THE PART OF ANGOLA'S WHITES AND SERIOUS PORT CONGESTION AT LUANDA AND LOBITO RESULTING IN HEAVY FREIGHT SURCHARGES HAVE CONTRIBUTED TO A RAPID WORSENING OF ANGOLA'S BALANCE OF PAYMENTS. THE PRESENT LEVEL OF RESERVES IS NOT KNOWN, BUT IT IS CERTAIN THAT DOMESTIC ECONOMIC PROBLEMS AND THE NATURAL DESIRES OF THE TRANSITIONAL AND POST-INDEPENDENCE GOVERNMENTS TO MOUNT AMBITIOUS GOVERNMENT SPENDING PROGRAMS AS FAST AS POSSIBLE WILL COMBINE TO PUT SEVERE PRESSURE ON THEM. THEREFORE, IN SPITE OF A BANK OF ANGOLA GUARANTEE, REPAYMENT OF THE META LOAN IS LIKELY NOT TO HAVE A SUFFICIENTLY HIGH FOREIGN EXCHANGE PRIORITY IN A FUTURE TIME PERIOD CHARACTERIZED BY ACUTE BALANCE OF PAYMENTS PROBLEMS. THE FINAL ECONOMIC PROBLEM IS THE STATUS OF THE BANK OF ANGOLA ITSELF, NOW STILL MORE A PORTUGUESE FINANCIAL ENTITY THAN AN ANGOLAN ONE. CONFLICT BETWEEN PORTUGAL AND ANGOLA OVER DIVISION OF THE BANK'S ASSETS MAY INVOLVE ITS GUARANTEES IN LITIGATION AND POLITICAL DISPUTE MAKING THEM UNENFORCEABLE.

4. BEYOND THE ECONOMIC CONSIDERATIONS AGAINST IMMEDIATE APPROVAL THERE IS ALSO THE POLITICAL PROBLEM CENTERING AROUND THE FUTURE ROLE PERMITTED WHITE-OWNED BUSINESSES LIKE META. THE ATTITUDE OF THE GOVERNMENT ON THIS ASPECT WILL BECOME CLEARER AFTER THE INVESTMENT CODE IS PROMULGATED, PERHAPS LATER THIS MONTH.

5. THE POST BELIEVES THAT FOR THE PRESENT EX-IM FINANCING AND CREDIT INSURANCE SHOULD ONLY BE EXTENDED FOR SALES TO THE ANGOLAN GOVERNMENT OR, POSSIBLY, TO A DIRECT SUPPLIER OF THE GOVERNMENT. THIS ACTS TO INSURE THAT THE GOVERNMENT IS AWARE OF THE TRANSACTION AND CONSIDERS THE ITEMS TO BE BOUGHT OF SUFFICIENTLY HIGH PRIORITY TO CARRY A COMMITMENT TO RELEASE THE EXCHANGE NECESSARY FOR PAYBACK. UNFORTUNATELY, THE ALLIS-FIAT SALE IS NOT TO THE GOVERNMENT OR A DIRECT GOVERNMENT SUPPLIER AND FOR NOW WE MUST RECOMMEND A DELAY IN APPROVING THE APPLICATION. AS SOON AS THE INVESTMENT CODE IS PUBLISHED WE WILL PROVIDE A NEW ASSESSMENT AND RECOMMENDATION.

KILLORAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 06 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LUANDA00254
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750080-0140
From: LUANDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750377/aaaacqzt.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 041276
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 20 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 AUG 2003 by CunninFX>; APPROVED <08 DEC 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FCIA CREDIT INSURANCE, META, S.A.R.L., LUANDA
TAGS: BPRO, AO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006